



Commonwealth of Massachusetts  
**DEPARTMENT OF HOUSING &  
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ◆ Timothy P. Murray, Lt. Governor ◆ Aaron Gornstein, Undersecretary

**Enhanced Financial Reporting Requirements for Local Housing Authorities:  
Review of Executive Director Salaries and Contracts**

**Background**

The Governor proposed a series of reforms to address the governance structure, financial transparency and management of the state's public housing portfolio. The reforms included:

- Increased financial and reporting requirements, and
- A new Commission on Housing Authority Governance Reform

Additionally, DHCD has begun to implement administratively other reforms since the release of the Governor's FY2013 budget, including:

- Requiring LHAs with state public housing to provide DHCD with the top five salaries of the highest-paid management staff,
- Setting a maximum salary (compensation) for LHA Executive Directors, and
- Limiting LHA Executive Directors to the total hours and maximum salary of one full-time position.

Prior to the proposed reforms and administrative changes, DHCD requested all Local Housing Authorities (LHAs) to submit information on their budgets, salaries of Executive Directors, year-end financial certifications, and the contracts of Executive Directors (this provision was also included in the proposed enhanced financial and reporting requirement reforms). DHCD issued final guidance on this requirement on January 6, 2012, through a public housing notice with a deadline for submissions of January 31, 2012. The following report is a result of DHCD's review of these submissions.

## Status of Submissions

Of the 240 LHAs, only one Housing Authority, Scituate, did not submit any of the required certifications<sup>1</sup>.

## Key Findings

### Employment Contracts of Executive Director

- Of the 240 LHAs, all but one (Scituate) are in compliance with DHCD's requirement to either submit a certified Executive Director contract to DHCD (184 LHAs) or to notify DHCD that either (1) their Executive Director works under "employment at will", or (2) the LHA operates under a management agreement with another LHA (55 LHAs).

### Salary Analysis

*Salaries as Reported in Annual Budgets:* Given the varying lengths and effective dates of the Executive Director contracts received, the most accurate and comprehensive tool to capture current Executive Director salaries (particularly for multiyear contracts) comes from the budgets that each LHA is required to submit annually to DHCD. Below is a chart that reports Executive Director salaries categorized by size of the LHA.

#### FY12 Budgeted Salary

Size	Median	Minimum	Maximum
Small (1-199 units)	\$ 38,993	\$ 2,398	\$ 96,262
Medium (200-499 units)	\$ 68,007	\$ 17,100	\$ 102,294
Large (500-999 units)	\$ 89,694	\$ 72,280	\$ 147,355
Extra Large (1000+ units)	\$ 125,000	\$ 89,670	\$ 166,529

*Budgeted Salaries Compared to Contract:* All salaries reported in each LHA's FY12 budget were reviewed and compared to the salary documented in the respective contract submitted (which was accompanied by a board certification). There were no salaries documented in the contracts received that varied significantly from budget salaries.

### Contract Language Review

- One hundred (100) or 54% of the 184 employment contracts submitted used DHCD's contract template. After reviewing these contracts, DHCD determined that these 100 Executive Director contracts were satisfactory.
- Eight-four (84) or 46% deviated from the contract template and required a more comprehensive review. While the vast majority of these were acceptable, there are some that are under further staff review. In these limited number of cases, the DHCD review is focusing on clauses which may have a

---

<sup>1</sup> Scituate was sent a letter February 3, 2012 notifying them of their penalty. Penalty is as follows: Scituate is a non-subsidy LHA therefore the penalty is that, until such time as the required documents are submitted, Scituate cannot access its operating reserve.

financial impact, such as scheduled salary increases, bonus payments, longevity payments, and severance packages. While specific clauses allow for total compensation that is higher than the reported salary, upon initial review, it appears that the total compensation for most Executive Directors does not exceed DHCD's newly instituted cap on total compensation of \$160,000. Those that do exceed this cap include Executive Directors of Ayer/Methuen, Brockton, Somerville and Cambridge<sup>2</sup>.

## **Proposed Action Steps**

The following recommendations have arisen from the review of all contracts submitted:

- Standard Contract Template Revision
  - DHCD's standard contract template should be revised to more fully address matters generally addressed in executive director employment contracts, and, particularly, in the following ways:
    1. Ensure that the definition of total compensation is consistent with the new rules,
    2. Incorporate clauses encouraging a beneficial employment relationship, such as required annual review by the Board and job responsibilities,
    3. Incorporate clauses (or on the other hand not include clauses) to disallow practices the Department will not approve, such as, unreasonable terms and/or automatic term renewal clauses, and,
    4. Clarify any ambiguous language
- Employment Contract Execution
  - Require LHAs that elect to utilize a contract to use DHCD's Executive Director form of contract
- Annual Budget Submissions Regarding Salary
  - Revise the document that LHAs utilize to submit their annual budgets to require reporting on total compensation, not just "salary".

---

<sup>2</sup> Note the following: 1) Ayer and Methuen have the same Executive Director and it is the combined salary of the two LHAs that comes to an amount greater than \$160,000, and 2) Cambridge is the only Executive Director whose budgeted salary is below \$160,000. The contract clauses regarding compensation bring the effective total compensation (salary plus clauses with current fiscal impact) to an amount greater than \$160,000.